

PUBLIC LAW 104-188—AUG. 20, 1996 110 STAT.  
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(e) CONFORMING AMENDMENT.—Subparagraph (D) of section 28(b)(1) is amended by inserting "1995", and before July 1, 1996, and periods after May 31, 1997" after "June 30, 1995".

(f) EFFECTIVE DATES.—26 USC 41 note.

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending after June 30, 1996.

(2) SUBSECTIONS (C) AND (D).—The amendments made by subsections (c) and (d) shall apply to taxable years beginning after June 30, 1996.

(3) ESTIMATED TAX.—The amendments made by this section shall not be taken into account under section 6654 or 6655 of the Internal Revenue Code of 1986 (relating to failure to pay estimated tax) in determining the amount of any installment required to be paid for a taxable year beginning in 1997.

**SEC. 1205. ORPHAN DRUG TAX CREDIT.**

(a) RECATEGORIZED AS A BUSINESS CREDIT.—

(4) IN GENERAL.—Section 28 (relating to clinical testing expenses for certain drugs for rare diseases or conditions) is transferred to subpart D of part IV of subchapter A of chapter 1, inserted after section 45B, and redesignated as section 45C.

(5) CONFORMING AMENDMENT.—Subsection (b) of section 38 (relating to general business credit) is amended by striking "plus" at the end of paragraph (10), by striking the period at the end of paragraph (11) and inserting "plus", and by adding at the end the following new paragraph:

"(12) the orphan drug credit determined under section 45C(a)(1)"

(3) CLERICAL AMENDMENTS.—

(6) The table of sections for subpart B of such part IV is amended by striking the item relating to section 28.

(7) The table of sections for subpart D of such part IV is amended by adding at the end the following new item:

"Sec. 45C. Clinical testing expenses for certain drugs for rare diseases or conditions."

(b) CREDIT TERMINATION.—Subsection (e) of section 45C, as redesignated by subsection (a)(1), is amended to read as follows:

"(e) TERMINATION.—This section shall not apply to any amount paid or incurred—

"(1) after December 31, 1994, and before July 1, 1996, or

"(2) after May 31, 1997."

(c) NO PRE-JULY 1, 1996 CARRYBACKS.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following new paragraph:

"(7) NO CARRYBACK OF SECTION 45C CREDIT

BEFORE JULY 1, 1996.—No portion of the unused business credit

for any taxable year which is attributable to the orphan drug credit determined under section 45C may be carried back to a taxable year ending before July 1, 1996."

(d) ADDITIONAL CONFORMING AMENDMENTS.—

(1) Section 45C(a), as redesignated by subsection (a)(1),

is amended by striking "There shall be allowed  
as a credit  
against the tax imposed by this chapter for the  
taxable year"